

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–72193; File No. SR–FINRA–2014–006]

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Order Instituting Proceedings To Determine Whether To Approve or Disapprove a Proposed Rule Change Relating to Per Share Estimated Valuations for Unlisted DPP and REIT Securities

May 20, 2014.

Correction

In notice document 2014–12072 appearing on pages 30217–30219 in the issue of May 27, 2014 make the following correction:

On page 30219, in the first column, in the first and second line from the bottom, “July 11, 2014” should read “June 26, 2014”.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–72253; File No. SR–NYSE–2014–26]

Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending NYSE Rule 13 to Introduce a New “Retail” Modifier for Orders and to Make Related, Administrative Changes to Its Price List

May 27, 2014.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (“Act”)² and Rule 19b–4 thereunder,³ notice is hereby given that, on May 13, 2014, New York Stock Exchange LLC (“NYSE” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of,

and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

II. Self-Regulatory Organization’s Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend NYSE Rule 13 to introduce a new “retail” modifier for orders. The Exchange also proposes to make related, administrative changes to its Price List that would not impact transaction pricing on the Exchange.

An order designated with a “retail” modifier would be an agency order or a riskless principal order that meets the criteria of Financial Industry Regulatory Authority, Inc. (“FINRA”) Rule 5320.03 that originates from a natural person and is submitted to the Exchange by a member organization, provided that no change is made to the terms of the order with respect to price or side of market and the order does not originate from a trading algorithm or any other computerized methodology.⁴ An order with a “retail” modifier would be separate and distinct from a “Retail Order” within the Retail Liquidity Program under Rule 107C, despite the characteristics being substantially the same.⁵

⁴ See paragraph (a) of the proposed “retail” modifier text under Rule 13, which, except for the non-applicability of the Retail Member Organization (“RMO”) aspect, would be the same as the definition of “Retail Order” for the Retail Liquidity Program under Rule 107C(a)(3).

⁵ The Exchange currently operates the Retail Liquidity Program as a pilot program that is designed to attract additional retail order flow to the Exchange for NYSE-listed securities while also providing the potential for price improvement to

The Exchange has separately proposed transaction pricing related to orders designated as “retail” that add liquidity to the Book.⁶ A member organization that wishes to be eligible for such proposed pricing would be required to designate its orders as “retail,” as described herein.⁷ However, a member or member organization that does not wish to be eligible for the proposed pricing would be free to choose not to designate orders as “retail.” Both the proposed “retail” modifier and the existing “Retail Order” within the Retail Liquidity Program, along with pricing related to each, are designed to incentivize the submission of additional retail order flow to a public market, like the Exchange. A “Retail Order” is eligible for a credit for removing existing, price-improved liquidity from the Exchange. In contrast, an order designated with the proposed “retail” modifier would be eligible for a credit for adding liquidity to the Exchange.

A member organization would be required to designate an order as

such order flow. See Securities Exchange Act Release No. 67347 (July 3, 2012), 77 FR 40673 (July 10, 2012) (SR–NYSE–2011–55). Retail order flow is submitted by an RMO through the Retail Liquidity Program as a distinct order type called a “Retail Order,” which is defined in Rule 107C(a)(3) in the same manner as the requirements under paragraph (a) of the proposed “retail” modifier text. RMO is defined in Rule 107C(a)(2) as a member organization (or a division thereof) that has been approved by the Exchange under Rule 107C to submit Retail Orders. A Retail Order is an Immediate or Cancel Order. See Rule 107C(a)(3). See also Rule 107C(k) for a description of the manner in which a member or member organization may designate how a Retail Order will interact with available contra-side interest. An execution of a “Retail Order” is always considered to remove liquidity, whether against contra-side interest in the Retail Liquidity Program or against the Book. The proposed “retail” modifier is designed to identify retail order flow that adds liquidity to the Exchange.

⁶ See Securities Exchange Act Release No. 71879 (April 4, 2014), 79 FR 19947 (April 10, 2014) (SR–NYSE–2014–15). Specifically, a credit of \$0.0030 per share would be available for executions of orders designated as “retail” that add liquidity on the Book. Existing rates in the Price List would apply to executions of Mid-Point Passive Liquidity (“MPL”) Orders (e.g., \$0.0015 per share). Similarly, the existing rates in the Price List would apply to executions of Non-Displayed Reserve Orders (e.g., \$0.0010 per share). A Supplemental Liquidity Provider (“SLP”) market maker (“SLMM”) could designate orders as “retail” and be eligible for the proposed new credit. Orders designated as “retail” that add liquidity would count toward a member’s or member organization’s overall level of providing volume for purposes of other pricing on the Exchange that is based on such levels (e.g., the Tier 1, Tier 2 and Tier 3 Adding Credits).

⁷ The Price List currently includes references to Rule 107C with respect to the pricing applicable to orders designated as “retail.” The Exchange proposes to replace those references with references to the proposed “retail” modifier under Rule 13. These proposed changes would merely be administrative and would not impact transaction pricing on the Exchange.

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b–4.